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Hollywood strikes could cause advertisers to divert video spending

Article

The news: More than 100 days into the largest Hollywood strike in decades, the **Association of Motion Picture and Television Producers** (AMPTP) sat back down at the table with the **Writers Guild of America** (WGA) and **Screen Actors Guild** (SAG-AFTRA) on Friday to resume negotiations.

- A series of tough earnings reports for major AMPTP members like **Netflix** and **Disney** may be forcing the industry group to soften its approach with the unions, which have expressed their intent to keep striking until their demands are met.

Content drought: Streaming services were banking on their large libraries of content to help them outlast the strike, but the dearth of new content is beginning to catch up with them and affect the broader streaming landscape.

- Without new material to promote, companies that are new to the ad-supported streaming space could have trouble getting big advertisers to sign on to their platforms. Both Disney and Netflix have expressed disappointment that their ad-supported tiers are taking a long time to meaningfully generate revenues—a lack of blockbuster content could worsen their ability to get large advertisers on board to turn a profit.
- The strike has already influenced advertising decisions. According to a recent Guideline survey, ad spending on reruns jumped to 79% in June, while spending on new content dropped to 21%—its lowest since the pandemic and down 10% from May. Reruns typically make up a larger share of ad spend (around 69%), but the steep jump shows that advertisers have few other options.

Greener pastures: Higher spending on reruns is a boon for both streamers and linear TV networks during the strike, but going too long without new content could cause advertisers to divert spending to other media formats. Despite video being the dominant digital advertising format, other channels are showing promise.

- CPMs (cost per 1,000 views) on streaming services are extraordinarily high compared with other video formats and media at large. According to The Wall Street Journal, Netflix has charged CPMs as high as $55-65 for its ad-supported tier. That's almost five times as much as some linear TV CPMs, which can range from $10-$15.
- Meanwhile, other (cheaper) formats are getting more attention. Retail media is one of the fastest-growing digital advertising channels, totaling $45.15 billion in spending this year and more than $100 billion by 2027.
- A recent study from Dentsu and Lumen also found that, despite making up small portions of overall ad spending, audio advertisements across several formats (including radio and digital audio) produced much higher brand recall and sentiment despite having CPMs up to 10 times lower than leading streaming services.

Our take: Beyond sitting back down at the negotiating table, there are already signs that streaming services are trying to keep the attention of advertisers. Netflix, for example, has lowered its CPMs to $45-$55 to sweeten the deal for new advertisers who may see the content drought as an opportunity to explore other, cheaper formats.